

Exhibit "L"

STATE OF ALASKA  
ALASKA OIL AND GAS CONSERVATION COMMISSION  
333 West Seventh Avenue, Suite 100  
Anchorage Alaska 99501

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JAN 21 2005

DIVISION OF  
OIL AND GAS

Re: **THE APPLICATION OF Aurora Gas, LLC** for an order allowing regular production from Nicolai Creek Unit Wells No. 1B, No. 2, and No. 9 in an undefined gas pool. ) Conservation Order No. 478A  
) Nicolai Creek Unit No. 1B, No. 2 and No. 9  
)  
) October 16, 2003

**IT APPEARING THAT:**

- The Commission published a notice of public hearing in the Anchorage Daily News on July 17, 2002 and in the Peninsula Clarion on July 19, 2002, of an application by Aurora Gas, LLC ("Aurora") for a spacing exception to complete and produce three wells, Nicolai Creek Unit ("NCU") No. 1B, No. 2 and No. 8.
- 2) Aurora sent notice of the application by certified mail to all offset owners, landowners, and operators of all properties within 3000 feet of the proposed productive intervals in NCU No. 1B, No. 2 and No. 8, as required by 20 AAC 25.055(d).
  - 3) No objection to the application was received by the Commission.
  - 4) In Conservation Order No. 478 ("CO 478"), issued September 5, 2002, the Commission granted Aurora's application but provided that the NCU No. 1B, No. 2 and No. 8 wells could not be placed on regular production until the Commission took additional action to offset any advantage a landowner or owner may have by reason of the wells having been drilled to the exception locations.
  - 5) NCU No. 8 was not drilled because Aurora encountered a shallow obstruction while driving conductor pipe. The conductor was pulled, the rig moved 7 feet to the east, and the NCU No. 9 well was permitted and drilled as a replacement well. In this order, references to "NCU No. 9" include NCU No. 8 as applicable
  - 6) Aurora, by letter dated September 25, 2003, and received by the Commission that same day, has now requested that the Commission allow Aurora to place the Nicolai Creek Unit No. 1B, No. 2, and No. 9 wells on regular production as soon as facilities are complete.

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**FINDINGS:**

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- 1) Newly acquired 3D seismic data and information obtained through drilling the NCU No. 9 well have allowed Aurora to better define the limits of the NCU gas reservoirs. Based on this improved understanding, Aurora is proposing changes to the existing Nicolai Creek Unit and Participating Area ("PA") boundaries. These changes will include Federal acreage on the north side of the property line that currently separates Federal and State acreage and exclude some State acreage in ADL 17585.
- 2) Aurora is the only owner within 3000 feet of NCU No. 1B, No. 2 and No. 9.
- 3) The proposed expanded PA will encompass NCU No. 1B, No. 2 and No. 9. All properties within 1500 feet of each of these wells will be included, in whole or in part, in the expanded PA.
- 4) It is expected to take no more than 100 days to obtain the necessary approvals of the proposed changes to the NCU and PA from the Department of Natural Resources ("DNR") and the Bureau of Land Management ("BLM").
- 5) In the interim, Aurora proposes to report production from NCU No. 1B and No. 2 to DNR at a 5% royalty rate, and production from NCU No. 9 to BLM using a 12.5% royalty rate. If DNR and BLM approve Aurora's proposed revisions to the NCU and PA and associated tract participation percentages, Aurora will submit revised royalty and operator reports to DNR and BLM retroactive to the first day of production according to terms of the Nicolai Creek Unit Agreement.
- 6) DNR and BLM have consented to Aurora's interim royalty payment methodology.
- 7) Allocation of gas resources to individual leases will require evaluation of technical data such as seismic, petrophysical, gas properties, reservoir pressure and temperature to arrive at equitable division of royalties.

**CONCLUSIONS:**

An expanded NCU PA encompassing the NCU No. 1B, No. 2 and No. 9 wells and including, in whole or in part, all properties within 1500 feet of these wells will satisfy the objective of offsetting any advantage a landowner or owner may have by reason of the wells having been drilled to the exception locations, and regular gas production from these wells within such an expanded PA will not result in waste or jeopardize the correlative rights of adjoining or nearby owners

- 2) Payment of royalties according to Aurora's interim plan for a period of not more than 100 days, subject to retroactive adjustment when the proposed PA expansion is approved, will adequately protect holders of affected property interests.

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- 3) If a PA expansion that meets the description set out in Conclusion 1 is not effected within 100 days after regular production commences from the NCU No. 1B, No. 2, or No. 9 well, the Commission may need to revisit the conditions under which further regular production from those wells is approved.
- 4) Additional notice and public hearing prior to approving regular gas production from the Nicolai Creek Unit are not necessary under the circumstances and conditions of this order.
- 5) Regular reservoir pressure measurements will be required to perform volumetric and material balance calculations.

**NOW, THEREFORE, IT IS ORDERED:**

- 1) Aurora's request to begin regular production from NCU No. 1B, No. 2 and No. 9 is approved, subject to the condition that if an expanded PA meeting the description set out in Conclusion 1 is not effected within 100 days after regular production commences from the NCU No. 1B, No. 2, or No. 9 well, the Commission will determine whether other or additional conditions will be imposed on further regular production from those wells in order to offset any advantage a landowner or owner may have by reason of the wells having been drilled to the exception locations. Such other or additional conditions may be made effective as of the date of first production from NCU No. 1B, No. 2 or No. 9.
- 2) Aurora shall keep the Commission timely informed in writing of the status of its proposed changes in the NCU and PA.
- 3) Prior to regular production, Aurora shall take a pressure measurement on each well to determine initial reservoir pressure.
- 4) Aurora shall perform a minimum of one bottom-hole pressure measurement per well annually to monitor reservoir pressure. The surveys required in Rule 3 rule may be used to fulfill the minimum requirements. A common datum for measurements in production intervals, if in communication, shall be established by the operator at a relevant depth in feet subsea. Pressure surveys may be stabilized static pressure measurements at or near the production zone or extrapolated from surface (single phase fluid conditions), pressure fall-off, pressure buildup, multi-rate tests, drill stem tests, and open-hole formation tests. Pressure data must be representative of reservoir conditions for use in material balance and volumetric calculations.
- 5) Aurora shall submit data and results from pressure surveys in an annual reservoir surveillance report on or before April 1 of each year. The report must include future development plans, reservoir depletion plans, and surveillance information for the prior calendar year, including:
- a. reservoir pressure map at datum, summary and analysis of reservoir pressure surveys within the pool;

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b. results and, where appropriate, analysis of production surveys, tracer surveys, and any other special monitoring; and

c. review of pool production allocation factors and issues over the

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All data necessary for analysis of each survey need not be submitted with the report but must be available to the Commission upon request.

- 6) Unless notice and public hearing is otherwise ordered, the Commission may administratively waive the requirements of or administratively amend any rule stated above as long as the change does not promote waste or jeopardize correlative rights, is based on sound engineering and geoscience principles, and will not result in an increased risk of fluid movement into freshwater.

DONE at Anchorage, Alaska and dated October 16, 2003



*Dan T. Seamount, Jr.*  
Daniel T. Seamount, Jr., Commissioner  
Alaska Oil and Gas Conservation Commission

*Randy Ruedrich*  
Randy Ruedrich, Commissioner  
Alaska Oil and Gas Conservation Commission

AS 31.05.080 provides that within 20 days after receipt of written notice of the entry of an order, a person affected by it may file with the Commission an application for rehearing. A request for rehearing must be received by 4:30 PM on the 23<sup>rd</sup> day following the date of the order, or next working day if a holiday or weekend, to be timely filed. The Commission shall grant or refuse the application in whole or in part within 10 days. The Commission can refuse an application by not acting on it within the 10-day period. An affected person has 30 days from the date the Commission refuses the application or mails (or otherwise distributes) an order upon rehearing, both being the final order of the Commission, to appeal the decision to Superior Court. Where a request for rehearing is denied by nonaction of the Commission, the 30-day period for appeal to Superior Court runs from the date on which the request is deemed denied (i.e., 10<sup>th</sup> day after the application for rehearing was filed).